

Exhibit 289

BLUE SHIELD COMMISSION

Biltmore Hotel

Los Angeles

March 26-27, 1948

Commission Members Present: L. Howard Schriver, M.D., president; Barrett A. Nelson, M.D., vice-president; Jay C. Ketchum, secretary; A. W. Adson, M.D.; F. L. Feierabend, M.D.; Howard Hassard; A. J. Offerman, M.D.; Lester H. Perry.

Commission Members Absent: Norman M. Scott, M.D., treasurer; Charles G. Hayden, M.D.; Elmer Hess, M.D.; Edwin M. Kingery; Walter Martin, M.D.

Others Present: William Bowman, Thomas Hendricks, Robert Novy, M.D., John W. Castellucci, Frank E. Smith, Paul R. Hawley, M.D. (In addition to those named there were several Blue Shield persons who visited the Commission meetings at intervals during the two days.)

The Commission meeting was delayed while waiting for a quorum, and was convened as a committee of the whole by Dr. Schriver, president, at 10:00 a.m., March 26.

Mr. H. A. Schroder, executive director of Blue Shield in Florida, extended an invitation for the next Semi-Annual Conference to be held in the Miami area, indicating that a similar invitation was being extended to the Blue Cross Commission. Mr. Schroder asked that the Commission designate one of its members to meet with him for a discussion of the invitation.

(See minutes of joint Commission meeting and report of joint executive committee meeting for references to annual meetings.)

A quorum was obtained at 10:30 a.m. and Dr. Schriver called the Commission meeting to order.

MINUTES OF PREVIOUS MEETING

The minutes of the previous meeting, held in Chicago on December 13, 1947, were mailed to the Commission members prior to the meeting.

Action taken: It was moved, seconded, and duly carried that the minutes of the previous meeting of the Commission be approved, with the deletion of the first paragraph on page 3 of the minutes as distributed.

(NOTE: The deleted paragraph was in that portion of the minutes which contained

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Mr. Ketchum's report on meetings of the special committee on national enrollment, and in which the minutes would infer that the Commission had agreed upon the formation of a membership corporation for Blue Shield and Blue Cross plans.)

MINUTES OF EXECUTIVE COMMITTEE MEETING

The minutes of the executive committee meeting, held together with the executive committee of the Blue Cross Commission in Washington, D. C. on December 22, 1947, were mailed to the Commission members prior to the meeting.

Action taken: It was moved, seconded, and duly carried that the minutes of the executive committee meeting be approved.

TREASURER'S REPORT

In the absence of Dr. Scott, Mr. Smith referred to the auditor's report for December 31, 1947, which had been distributed to Commission members by mail prior to the meeting.

Action taken: It was moved, seconded, and duly carried that the auditor's report be accepted as the report of the treasurer.

DIRECTOR'S REPORT

Copies of the director's semi-annual report were distributed to members of the Commission. Mr. Smith commented verbally on the report, indicating further that copies would be distributed to each Blue Shield plan on March 29.

Action taken: It was moved, seconded, and duly carried that the director's report be accepted and that the director be commended for an excellent report.

Further action taken: It was moved, seconded, and duly carried that a copy of the director's report be made available to Mr. Lawrence Wells, director of public relations for the Blue Cross Commission, for use in preparing news releases during the Semi-Annual Conference, with the understanding that such releases would be checked with the director before given to the press.

VACANCY ON EXECUTIVE COMMITTEE

Dr. Hayden's letter of resignation from the executive committee was read and discussed.

Action taken: It was moved, seconded, and duly carried that Dr. Hayden's resignation from the executive committee be accepted with sincere regrets.

Further action taken: It was moved, seconded, and duly carried that Dr. Feierabend be elected as a member of the executive committee.

DRS. HESS AND MARTIN ELECTED TO COMMISSION

Two vacancies on the Commission were created at the last Commission meeting, due to the resignations of Drs. McCormick and McVay. The Council on Medical Service had been advised and requested to nominate two persons to fill the

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vacancies. A letter from the Council was read, in which Drs. Elmer Hess and Walter Martin were nominated.

Action taken: It was moved, seconded, and duly carried that Drs. Hess and Martin be elected as members of the Commission to fill the unexpired terms of Drs. McCormick and McVay.

(NOTE: No indication was given as to which of the two unexpired terms was thus filled by either of the two newly elected Commissioners. Dr. McCormick's term would have expired in 1949, Dr. McVay's in 1950.)

REPRESENTATIVE AT COUNCIL MEETING

In connection with its next meeting in Chicago on April 16, Dr. McVay, chairman of the Council on Medical Service, sent word to the Commission that a Commission representative at that meeting would be appreciated. At a previous meeting of the Council in January, 1948, Dr. Schriver had proposed that the Blue Shield Commission be represented at Council meetings when matters of mutual interest were to be discussed. The proposal was intended as a means of preventing misunderstandings between the two groups, and appeared to be acceptable to the Council.

Action taken: It was moved, seconded, and duly carried that Dr. Feierabend represent the Blue Shield Commission at the next meeting of the Council on Medical Service, and that, if possible, Dr. Hawley should accompany him.

REGISTRATION OF BLUE SHIELD

Mr. Hassard reported that an application for registration of the Blue Shield symbol had been filed with the Commissioner of Patents in Washington, D.C. on March 4, 1948 and was now pending. No reply had been received as yet.

The application was filed in behalf of AMCP and its member plans, listing those already using a Blue Shield symbolism, with provision for additional use by any new members of AMCP at a later date. Blue Shield symbolism was first used by Western New York Medical Plan on September 23, 1939, and first used by AMCP on February 1, 1948. Previous permission to apply for the registration of Blue Shield had been secured from Western New York Medical Plan as well as from all other plans which had used the symbolism prior to filing the application.

Action taken: It was moved, seconded, and duly carried that Mr. Hassard's report on the application for registration of Blue Shield be accepted.

ADDED APPOINTMENTS TO COMMITTEE

The Commission, at its meeting on September 18-19, had authorized the president to appoint a three-man committee on national enrollment problems to meet with a similar Blue Cross committee. Subsequent to that authorization, it became necessary to strengthen the committee in numbers. At the request of Mr. Ketchum, committee chairman, Dr. Schriver appointed Dr. Feierabend, Don T. Diller and Willard Marshall as additional committee members, which the Commission was requested to confirm.

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Action taken: It was moved, seconded, and duly carried that the additional appointments to the special committee on national enrollment be confirmed.

DEFINITION OF DR. HAWLEY'S POSITION

Inasmuch as the executive committees of Blue Shield and Blue Cross, in their meeting with Dr. Hawley on December 22, 1948, had outlined only the general terms of employment, considerable question had been raised among Blue Shield plans regarding Dr. Hawley's specific functions, source of authority, and the method whereby his efforts in behalf of Blue Shield and Blue Cross would be coordinated.

As a case in point, the Commission's attention was drawn to a resolution which was adopted by District XI at its meeting on February 2-3, recommending that the situation be clarified and recommending further that Blue Shield assume 50% of the costs instead of the 80-20 split previously agreed to by the executive committee.

(NOTE: See minutes of executive committee meeting for December 22, 1947, and report of District XI meeting on February 2-3, 1948.)

It was agreed that the executive committees of Blue Shield and Blue Cross would have to meet immediately in order to further clarify the matter. Considerable discussion was directed to the problem in order that the executive committee might know the wishes of the Commission before meeting with Blue Cross.

Action taken: It was moved, seconded, and duly carried that the executive committee of the Blue Shield Commission meet with the executive committee of the Blue Cross Commission for the purpose of clarifying the functions, purposes, and authority of Dr. Hawley's position and report back to the Commission tomorrow morning (March 27). It was agreed, further, that Mr. Hassard should accompany the executive committee at this meeting.

DR. SCOTT'S RESIGNATION

A letter from Dr. Scott was read, in which he expressed a desire to be relieved of his position as treasurer.

It was suggested that Mr. Ketchum, secretary, and Dr. Scott, treasurer, might exchange positions as officers of the Commission. Mr. Ketchum offered his resignation as secretary.

Action taken: It was moved, seconded, and duly carried that Dr. Scott's resignation as treasurer be accepted.

Further action taken: It was moved, seconded, and duly carried that Mr. Ketchum's resignation as secretary be accepted.

Further action taken: It was moved, seconded, and duly carried that Dr. Scott be elected secretary of AMCP.

Further action taken: It was moved, seconded, and duly carried that Mr. Ketchum be elected treasurer of AMCP.

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BLUE SHIELD OFFICE

The director reported that an agreement had been reached between himself and Mr. Jones, director of the Blue Cross Commission, regarding office space and secretarial assistance for Dr. Hawley. Blue Shield will provide an office for Dr. Hawley, and Miss Wright will serve as his secretary. It was further agreed that Miss Wright's salary would be shared with Blue Cross on the same basis as agreed upon for Dr. Hawley.

Action taken: It was moved, seconded, and duly carried that the arrangements as reported by the director be approved until such time as further changes might become necessary.

The Commission meeting was adjourned at 12:30 p.m. for a scheduled luncheon with the Blue Cross Commission.

The Commission meeting was convened by Dr. Schriver at 2:00 p.m., March 26.

NEW MEMBERS

As chairman of the membership committee, Dr. Nelson reported that four applications for full membership had been received and one application for a transfer of status from an associate to full member.

Action taken: It was moved, seconded, and duly carried that Minnesota Medical Service be transferred from an associate to a full member of AMCP.

Further action taken: It was moved, seconded, and duly carried that the following applicants be accepted as full members of AMCP:

Chicago Medical Service, Chicago
Medical Service, Inc., Ashland, Ky.
Surgical Service, Inc., Bluefield, W. Va.
Mutual Medical Insurance, Inc., Indianapolis

NOTE: With the acceptance of these applicants, the present membership of AMCP stands at 52 plans.

BANK RESOLUTION

Since moving the Blue Shield office to 330 South Wells St., it has become inconvenient to continue banking arrangements with the Lake Shore National Bank, and the director requested adoption of the necessary resolution to authorize the transfer of accounts to the City National Bank and Trust Company of Chicago.

Action taken: It was moved, seconded, and duly carried that the required bank resolutions be adopted and duly signed.

DISTRICT CHAIRMEN

Attention was drawn to the action taken by the Commission and the Second Annual Conference in September, 1947, approving the establishment of district

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organizations. The director had proposed that these district units be initiated through temporary chairmen in each district, appointed by the president.

It would be the function of such temporary chairmen to make arrangements for the first organizational meeting of the district and the election of new members for the Commission. The Commission was reminded of the Constitutional amendments which were introduced during the last annual meeting, to be voted upon at the next such meeting, under which a new type of Commission would be formed, members of which were elected by the districts. Election of such Commissioners during the interim period would assure such selection in advance of the annual meeting, so that there would be no lapse of time in changing from one type of Commission to the other.

Dr. Schriver had appointed the following to serve as temporary chairmen of the eleven districts in the United States, with no appointment for the 12th district in Canada:

District I	Charles G. Hayden, M.D., Boston
" II	Frederick Elliott, M.D., New York City
" III	Norman M. Scott, M.D., Newark
" IV	Lester H. Perry, Harrisburg
" V	Eugene B. Crawford, Chapel Hill
" VI	Ed. H. Moore, Birmingham
" VII	Charles Coghlan, Columbus
" VIII	Jay C. Ketchum, Detroit
" IX	F. L. Feierabend, M.D., Kansas City
" X	Arthur J. Offerman, M.D., Omaha
" XI	Samuel English, Helena

Action taken: It was moved, seconded, and duly carried that the appointment of district chairmen, as reported, be confirmed.

COMMITTEE ON NATIONAL ENROLLMENT

The original report of the joint Blue Shield and Blue Cross committee on national enrollment was distributed to the Commission members and plan members in February. This report was discussed at an informal meeting of plans in Chicago on March 6.

The Blue Shield committee met on March 7 to discuss not only the original report but the reactions which had been expressed throughout the country since that report's release. The Blue Shield committee's report was distributed to the Commission and plan members prior to the present meeting.

In the committee's report, there was no recommendation for adoption of the original proposal by the Commission, although several recommendations were made pertaining to a follow-up procedure in carrying forward the study of a Blue Shield-Blue Cross Association and the accompanying insurance corporation.

(NOTE: See copy of Blue Shield committee report from March 7 meeting.)

Action taken: It was moved, seconded, and duly carried that the committee report be received.

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Further action taken: It was moved, seconded, and duly carried that the committee's report, containing specific recommendations for further study of the entire matter, be adopted.

(Action to adopt was taken later in the meeting, after the chairman of the committee had reminded the Commission that the committee's recommendations were consistent with the general conclusions of the Commission and that the previous motion had not adopted the report, but only received it.)

NATIONAL HEALTH ASSEMBLY

The director reviewed the series of events which preceded the announcement that Dr. Hawley had been appointed as a member of the executive committee for the National Health Assembly, sponsored by the Federal Security Administration, to be held in Washington, D. C. from May 1-4. Dr. Hawley's discussion was "off the record", as was that of Mr. Hendricks.

Action taken: It was moved, seconded, and duly carried that Dr. Hawley should continue as a member of the executive committee for the National Health Assembly, that he should use his own judgment about continuing such participation, and that, if it became necessary to resign, Dr. Hawley should do so with as much noise as possible.

The meeting was adjourned at 4:30 p.m.

The joint executive committees met immediately after adjournment of the Commission meeting, as indicated on page 4 of these minutes. Full report is attached to these minutes.

The Commission meeting was convened at 9:15 a.m. by Dr. Nelson, vice-president, on March 27.

REPORT OF EXECUTIVE COMMITTEE

As instructed in the previous day's session, the executive committee met with the executive committee of the Blue Cross Commission to clarify Dr. Hawley's position.

A written report (copy attached) of the joint executive committee meeting was read and discussed.

Action taken: It was moved, seconded, and duly carried that the minutes be accepted as the official expression of the action taken by the joint executive committees.

Further action taken: It was moved, seconded, and duly carried that the actions taken by the joint executive committees be adopted by the Commission.

Further action taken: It was moved, seconded, and duly carried that three members of the Blue Shield executive committee be selected to serve on the joint executive

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committee, and that these three should consist of the president and two others to be appointed by the president. (Dr. Schriver later appointed Dr. Feierabend and Mr. Ketchum.)

Further action taken: It was moved, seconded, and duly carried that Mr. Hassard attend all joint executive committee meetings, whenever possible, in his capacity as legal counsel for the Blue Shield Commission.

Further action taken: It was moved, seconded, and duly carried that the Commission approve the principle of equal contribution toward the expenses of the Blue Shield-Blue Cross joint account, and in order to have sufficient funds to accomplish that principle the Commission strongly urge the member plans, at the next meeting of member plans, to amend the present provision of the by-laws relating to dues (Page 3, Section 1) to increase the dues in whatever amount and in the manner found feasible, in the judgment of the members, necessary to provide revenues with which to make equal contribution to such an account, and that the president be instructed to present this recommendation to the member plans at their next meeting.

It was suggested that in order to expedite the discussion at a meeting of the member plans, the president be authorized to recommend a specific amount for an increase in dues. Attention was drawn to the fact that a quorum of the finance committee was available for a study of the matter, after which an amendment to the by-laws could be drafted and introduced at the meeting of plan members by the treasurer, serving in his capacity as chairman of the finance committee.

Further action taken: It was moved, seconded, and duly carried that the president be authorized to set the amount of increase in dues, after due consultation, to be specified in the Commission's recommendation to plan members.

REQUEST FOR DISTRICT CHANGES

The director called attention to a resolution adopted by District XI, requesting permission to invite additional states to join that district, also a letter from New Mexico Physicians' Service requesting permission to transfer from District IX to District XI. The Commission was likewise advised that there were other areas in which district boundary changes might be desirable.

Action taken: It was moved, seconded, and duly carried that New Mexico Physicians' Service and District XI be advised that the entire matter of district boundaries will be studied and reconsidered, and that everyone concerned be requested to be patient until a report can be developed.

Further action taken: It was moved, seconded, and duly carried that the matter be referred to the chief executive officer for study.

EXCHANGE OF INFORMATION BETWEEN BLUE SHIELD AND BLUE CROSS OFFICES

The director described a situation which had presented some minor difficulties during the past, in which Blue Shield had been furnishing routinely a copy of all bulletins and form letters to the Blue Cross office, but that Blue Cross had not been permitted to return the courtesy as per instructions from its Commission or executive committee. It was pointed out that this action had not been directed specifically at Blue Shield, but had been a fixed policy of some

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duration in which the Blue Cross office had restricted its distribution of such material to its own plan members.

With Dr. Hawley occupying the position of a jointly employed executive officer, he would be in a position of having access to all such material from both offices. The situation will be somewhat different in the future than in the past.

Action taken: It was moved, seconded, and duly carried that the Commission recommend there be a free exchange of ideas, bulletins, and information between the offices of Blue Shield and Blue Cross at the discretion of Dr. Hawley.

JOINT SPONSORSHIP OF BULLETIN

It had been recommended previously by the committee on public relations that an overture be made by Blue Shield to Blue Cross for the joint sponsorship of the Blue Cross Bulletin as a news organ. The director recommended that this committee recommendation having been previously approved by Blue Shield, be referred to the agenda of the joint Commission meeting for discussion.

Action taken: It was moved, seconded, and duly carried that as a matter of principle, joint sponsorship of the Blue Cross Bulletin be approved, subject to financial considerations, and referred to the joint Commission meeting for discussion.

The meeting was adjourned at 10:00 a.m. for a scheduled joint meeting of the Blue Shield and Blue Cross Commissions. (Copy of minutes of joint Commission meeting attached to these minutes).

The Commission meeting was convened at 2:00 p.m., March 27, by Dr. Schriver.

GENERAL MAILING BY PLANS

Following the example previously set by the Blue Cross Commission, approved by Blue Cross plans, the director recommended that the Blue Shield Commission adopt a policy in which all Blue Shield plans, districts, and committees be urged to clear general mailings through the national office.

Action taken: It was moved, seconded, and duly carried that the Commission urge all Blue Shield plans to clear general mailing of letters, bulletins and memos through the office in Chicago, and that this request shall pertain to special notices, committee reports, reports of district meetings, and all similar matters, as it is deemed impossible for the director to function intelligently or effectively without knowing what is happening in the various sections of the Blue Shield field of operations.

DISTRIBUTION OF COMMISSION MINUTES

Several proposals were made for securing a more effective distribution among Blue Shield plans of the proceedings of Commission meetings, the complaint being that plan members have not been kept advised.

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Action taken: It was moved, seconded, and duly carried that a summary report of Commission and all committee meetings be distributed to the executive director of each Blue Shield plan in sufficient quantity for later distribution among trustees, and that one copy of such reports be mailed directly to the president of each Blue Shield plan.

AMA CANCELLATION OF BLUE CROSS

The Commission and its guests entered into a discussion of the recent cancellation of Blue Cross coverage by the AMA.

Several vigorous opinions were expressed, urging that the Commission make a protest to the AMA. Some suggested that an inquiry be made officially into the matter, in behalf of all Blue Shield plans who felt that they had been seriously hurt by the AMA action. Other opinions were expressed, indicating that the entire question was one which did not involve the Commission directly, but was one to be determined by the various state medical societies as component parts of the AMA.

Dr. Feierabend, having been selected to represent the Commission at the next meeting of the Council on Medical Service, asked for instructions from the Commission as to what attitude or position he was to take on the question under discussion. Dr. Adson offered to arrange, if possible, for an explanation of the matter through the Council on Medical Service, suggesting that such an inquiry from the Commission to the Council would be perfectly proper.

Action taken: It was moved, seconded, and duly carried that the subject under discussion be tabled.

(Note: The motion to table was carried after agreement had been reached that the Commission should take no action on the matter, but that any action taken should come from the state medical societies which sponsored the individual Blue Shield plans.)

REPORT ON NATIONAL ADVERTISING

Following the presentation of a national advertising program by the J. Walter Thompson Company at the Second Annual Conference, it was decided to distribute copies of the proposal to all Blue Shield plans for further detailed reactions.

Mr. Perry, chairman of the public relations committee, reported that 33 responses were generally divided into the following categories: Favorable, 9; unfavorable, 9; questionable, 10; and wishing to defer action, 5. Opposition was centered about the relatively high cost, preference for local advertising efforts, and a desire to defer action until something definite was decided about the proposed merger of Blue Shield and Blue Cross plans into a national association. In view of the divided reactions, Mr. Perry recommended deferring action on any national advertising program.

Action taken: It was moved, seconded, and duly carried that Mr. Perry's report and recommendation be accepted.

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REQUEST FOR COOPERATION

It was reported by the director that a request had been received collectively from the American College of Radiology, American College of Anesthesiologists, and the College of American Pathologists for the establishment of a committee by Blue Shield, which could meet with the above mentioned organizations or their representatives, and to include a representative of the AMA Council on Medical Service, the purpose of which would be to study together the policies of these three organizations as they might apply to the writing of Blue Shield subscriber contracts, and the relationship of those contracts with contracts written by parallel Blue Cross organizations for hospital benefits.

Some doubt was expressed as to the possibility of any accomplishment in this regard, but the Commission felt that cooperation should be extended in view of the request.

Action taken: It was moved, seconded, and duly carried that the president be requested to appoint a committee as outlined in the director's suggestion.

REPORT FROM NEW MEXICO

The courtesy of the floor was extended to Mr. L. J. Lagrave, executive director of New Mexico Physicians' Service, who reported on the troublesome situation in that state during the past year. Mr. Lagrave asked that the Commission remain aware of the serious implications of a Blue Cross Commission approval of a Blue Cross plan in New Mexico, after that plan "has set out to destroy the program which is sponsored by the medical society".

Action taken: It was moved, seconded, and duly carried that the problem, as described, be referred to the joint meeting of the executive committees of Blue Shield and Blue Cross.

The meeting was adjourned at 5:15 p.m.